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CO-OPERATIVE MOVEMENTS AMONG FARMERS

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Co-operation, as applying to agriculture in the United States, is a term of various meaning. In its stricter sense, it generally implies a business association in which one and only one vote is given to each member, capital is supplied by the members and is paid only the current rate of interest, and profits are distributed to the members according to the amount each "sells or buys or supplies." The unit of organization is the man; the association is an organization of men, and not primarily of a certain number of capital units. In this sense the term is understood commonly in Europe, but much less commonly in the United States. Here co-operation frequently implies a joint stock company in which capital often participates in the profits and the voting is by shares, although some limitation is usually placed on the number of shares that any member may own. Again, co-operation may imply simply a more or less temporary organization for the purchasing of goods at wholesale prices, testing cows for tuberculosis or butter fat, or the accomplishing of almost any other common purpose.

The doing of business together co-operatively has frequently been hailed by students of our competitive system as a remedy for many of our social ills. J. S. Mill believed it might prove a great boon, particularly to the hand-working classes. Professor Cairnes agreed with Professor Fawcett that "we may look with more confidence to co-operation than to any other agency to improve industrial conditions." In our own country a good many distinguished scholars like Professor Ely and Dr. Albert Shaw have written enthusiastically of this humble and often despised agency. But notwithstanding this eminent laying-on of hands, co-operation in the United States is often thought of as the work of impracticable dreamers. Their efforts as related to agriculture are regarded chiefly as a series of colossal failures beginning with the transcendental Brook Farm and ending, for the most part, in the late '70's

with the collapse of gigantic Grange schemes that embraced even international trade. The truth is that agricultural co-operation, or business co-operation of any kind, if judged solely by its history in this country up to within the last two or three decades, has generally not acquitted itself worthy of its sponsors.

In 1888, at the time the Johns Hopkins University Studies gave us the History of Co-operation in the United States, there remained probably only a few thousand co-operative societies out of the many thousands that had been earlier formed. In contrast with this showing is the situation to-day. An investigation made by the United States Department of Agriculture in 1907 discovered in this country at that time about 85,000 agricultural co-operative societies with a membership of about 3,000,000, not including duplicates. In these societies are represented one-half of the farmers of this country. "The fraction is much larger," says Secretary Wilson, "if it is based on the total number of medium and better sorts of farmers to which the co-operators mostly belong." The number of societies engaged in each of the principal kinds of co-operation is given as follows: Irrigation, 30,000; insurance, 15,650; telephone service, 15,000; buying 4,000; creameries and cheese factories, 2,400; grain elevators, 1,800; selling 1,000. The causes that have led to this great increase in numbers in recent years are numerous and are of sufficient consequence to be taken up in some detail. Among the most important are probably experience of earlier movements, organization in other industries and the great success of co-operation in Europe.

Some lessons were learned from past success but probably more from past failures. Scattered here and there were successful societies organized on business principles, animated by a truly co-operative spirit and understanding the competitive forces with which they had to contend. Many others, however, looking upon the middleman as their arch enemy and determined to strike him a quick and fatal blow, chose one of their own number to perform his functions, but in so doing frequently aroused so many local jealousies and made so many business blunders as to insure their own defeat. Co-operative experience had, nevertheless, a sobering and clarifying influence upon both the co-operator and the middleman. Through the rapidly improving and more generally utilized agencies of communication and transportation, farmers came to have

a better understanding of the principles of the more successful societies. Other societies while nominally unsuccessful had yet caused the middleman in his struggle for self-preservation to lower his prices very greatly. He had, for example, been obliged to reduce the price of reapers from \$275 to \$175; of threshers from \$300 to \$200; of wagons from \$150 to \$90; sewing machines from \$75 to \$40. Potential competition from the co-operators was able to keep permanently low prices that were intended to be so only temporarily. The co-operators, too, came to see in their conduct of a creamery, general store or other business that middlemen were not always the exploiters they were imagined to be.

Another influence making for the development of co-operative societies has been the organization of labor and of capital. Laborers by pooling their interests were seen to be able to control somewhat their labor supply with reference to a given market and to force up their wages by collective bargaining. Capital was notoriously being assembled into great trusts with power to influence greatly the prices of products that the farmer had to sell or of the goods that he had to buy. We need only call to mind what has been public opinion regarding the power of the so-called meat trust, harvester trust and lumber trust, and the power of some of these over transportation companies, in order to realize their influence in crystallizing business thought among the more intelligent farmers. The more recent organization of middlemen in many large distributing centers has also hastened the getting together of the farmers.

Still another influence on co-operation in the United States has been the recent marked success of this form of business organization among farmers in most European countries. This has been especially notable in Germany, Denmark, Italy and France during the last three or four decades, and in Ireland still more recently. Immigrants from these foreign countries, either because of their co-operative experience or because of their acquaintance with co-operative movements abroad, take kindly as a rule, to this form of business. Such is strikingly the case in the Middle West where the co-operative creameries and elevator companies abound. The only successful co-operative stores organized in New England since 1880 have been, with one or two exceptions, among foreigners.

In this connection it may be noted, too, that in those parts of the country into which there has recently been a considerable influx

of interstate immigrants, as in the Pacific coast states, in Texas and in certain other parts of the South and the Southwest, the co-operative movement has rapidly developed. While this is due probably in part to the intensive and specialized agriculture practiced and to the nature of the crops grown, *e. g.*, fruits and vegetables, it is due also in part to the transplanting of individuals into new social groups in which the "cake of custom" is likely to be broken up and new adjustments made under some intellectual leadership. "Necessity" is often rightly said to be the mother of co-operative invention, yet, while success has come to the fruit grower of newly-settled Oregon or Washington, neglected orchards often attest the failure of fruit growers in New England, even though soil, climate, and markets may be in their favor.

Leadership in co-operation in the United States has not been taken by any one person as it has been by Raiffeisen in Germany, Dr. Wollemborg in Italy, or Sir Horace Plunkett in Ireland—men who were not primarily farmers but far-seeing philanthropists or statesmen. This explains perhaps why we have not in America a co-operative movement instead of many independent movements.

One of the earlier forms of co-operation which has survived and which has in the last quarter of a century greatly increased its operations is that of insurance. There are two general forms of co-operative insurance societies. One is patterned after the old line companies in which a surplus is accumulated by the payment of fixed premiums at the time of insurance to cover future losses. The second type has no fixed premium and carries no reserves. When losses occur assessments are made to cover them. The only fixed charge is to cover running expenses and is paid at the time the risk is taken. The Grange has organized for its members a good many successful mutuals of this latter type. In Pennsylvania, for example, there are a dozen such societies carrying risks of about \$30,000,000. The secretary of the State Grange writes that "some of these societies have been doing business for more than thirty years and the average cost has been but little more than one-third of what cash companies charge for the same service." The only paid officer is the secretary who gets a small salary.

Outside the Grange there were in Pennsylvania in 1906 about 260 mutual societies carrying risks of nearly a billion dollars, and paying losses for that year of more than two millions. Iowa,

Illinois and Wisconsin have each nearly as many mutuals, while Minnesota, Ohio and New York are also well represented. As a rule insurance in these companies is to be had at considerably lower rates than in the old line companies. Professor V. N. Valgren estimates that the mutuals save the Minnesota farmers annually \$750,000.

Co-operative telephone companies are striking examples of the good that has come to farmers through collective effort. The difficulties to be overcome in the starting of these companies often developed considerable initiative and community spirit. A few neighbors, sometimes by drafting into service their barb-wire fences, would organize a small independent circuit, with possibly the village storekeeper in charge of the switchboard. As the circuits would enlarge and connections with the large outside companies would be attempted, great obstacles would sometimes be encountered in the form of a demand to pay high rates or occasionally to give up their independence. Such a case the writer, as chairman of a committee in charge of a small municipal telephone plant, well remembers because of his many conferences with some Norwegian farmers who desired to connect with the city plant by way of a small switching station of a large company, but were for many months prevented by it from doing so. The obstacles in their way were the very agencies necessary to awaken in them a strong neighborhood consciousness and to give them effective fighting spirit. Many of the mutual companies have the opposition of large consolidated companies to thank first for their local organization and later for their connection with a network of independent companies extending over a large part of the country.

In the local companies usually each member owns his own telephone and contributes equally in work, material or money in the building of the plant. In not a few cases the members become familiar with the mechanism of their "phones" and are able to dispense largely with the services of professional workmen. The rates charged are usually very low, often only a half of what is charged by private companies.

As a social agency their influence has been incalculably great. Questions of weather reports, market quotations, labor assistance, medical aid and social gatherings have been much simplified. The former isolation and consequent loneliness of the farm home is

no longer possible with neighborhoods united now by these nerves that pulsate with life. The telephone circuits of many of these mutuals are to be classed along with the school district or the township as a means of social grouping.

Another interesting type of co-operation is the co-operative store organized and supervised by the Right Relationship League. This League incorporated in 1906 has organized chiefly in Minnesota and Wisconsin about one hundred successful stores on the Rochdale plan that has been so successful in England. The Pepin County Co-operative Company in Wisconsin, with nine retail stores, did a business amounting to about \$230,000 in 1909. Distinctive features of these companies are that in starting into business they try to buy out rather than force out existing stores, make use generally of expert accountants of the League, and support a wide-awake journal devoted to their interests. The combining of educational features with democratic government and business methods ought to lead to the avoidance of some pitfalls that have been the ruin of many a co-operative store.

The crowning success of co-operation in the United States is found in connection with the raising and marketing of fruit. This success is favored by the specialization of fruit growing in certain localities, by the intensive methods used and by the frequent dependence of the industry on irrigation—itself largely a co-operative enterprise. Especially in the Rocky Mountains and Pacific coast regions do we find highly developed and enthusiastically supported co-operative societies engaged in the gathering, packing, shipping and marketing of such fruits as oranges, lemons, apples, peaches, pears and small fruits. Such societies are, however, widely distributed, being found in nearly every large fruit-growing region of the country.

The objects are such as can seldom be attained by small growers acting alone. The principal aims are to take advantage of lower rates for large shipments, to get better accommodations in way of fast freight, refrigeration and the like, to obtain information by telegraph of the needs of the various markets so as to prevent gluts, to secure better storage facilities, and to standardize the fruit to be sold by establishing brands and uniform methods of harvesting and packing.

The fruit-growers' union is generally organized on the demo-

cratic principle of one man one vote and equal contribution of capital, or on the principle of voting power and capital contribution according to the acreage of the crop. The members choose a board of directors who in turn select the most important officer, the business manager. On his tact in securing the confidence and co-operation of the growers and on his ability to market their product successfully depend very largely the welfare of the association. Such a man in some of the larger societies commands a salary of \$5,000 or more.

The business is done on a cost basis and the benefits are shared by the members in proportion to their patronage or the use they make of the association. Membership usually involves a contract that gives the association the right, under penalty for violation, to sell the whole of the marketable crop of each grower as well as to control its methods of preparation for the market. The handling of the fruit of outsiders is generally found to be dangerous because of the liability of introducing lower standards.

There are two distinct methods of packing the fruit. In one case it is done on the premises of the grower, and his fruit is inspected at the shipping station. In the other case it is done in central packing houses owned by the association. The picking of the fruit, especially of small and perishable fruit, is generally done by the grower. A better practice for the picking of such fruits as apples and oranges is to have trained gangs of men do this work for all of the members of the association. By this method the grower's ability to detect blemishes in his own fruit is not put to the test, and, what is more important, there results less bruising of the fruit, which is the chief cause of decay.

Formerly the fruit was sent to middlemen and sold on commission, but now much of it is sold f. o. b. shipping point or is consigned to the companies' own agents. A form of marketing growing in favor is the selling of fruit at auction in large distributing centers. Prior to the auction, the various consignments are catalogued and samples of the fruit are conveniently displayed for inspection. As the prospective buyers, who are principally retailers and peddlers, are furnished with catalogues and allowed to buy in small lots, a lively competition ensues. Where this form of selling is practiced the consumer is more likely to be benefited as to price than where he is still farther removed from the producer.

Many of the benefits of co-operative sale are indirect. Any change in the consumer's fancy as to variety or color of fruit or size or form of package, is quickly learned by the manager and communicated to the members. There is likely also to be a free interchange of knowledge as to the best methods of growing any particular fruit, as well as to its adaptability to any particular soil. Among the growers there arises frequently a considerable rivalry as to who shall produce the largest proportion of the best grade of fruit. Inasmuch, too, as every grower has an assigned number that is marked on every box or crate of his fruit, and each package is usually guaranteed by his association, he is held by local opinion up to a certain standard of excellence.

The associations frequently purchase for their members supplies such as box shooks, wrapping paper, spraying material, hay and household provisions. The Grand Junction Fruit Growers' Union of Colorado, for example, in 1906 bought 224 carloads of such supplies. In this connection it may be said that associations by employing their laborers in the making of crates and boxes during the slack season are able to keep a class of skilled laborers the year round. In order to understand the experiences that an association often passes through, a short account may be given of the early stages of the California Fruit Growers' Exchange—the largest and most successful organization of its kind in this country. Before the early 90's the citrus crops in California were generally remunerative. But good prices stimulated production until the supply apparently outran the demand, although the production then was little more than one-tenth of what it is to-day, with no great fear now of overproduction. The situation proved to be a profitable harvest for fruit buyers and commission men in the large cities where much of the fruit had to be marketed. In consequence many orchardists furnished their entire crop for nothing. In 1892 many a shipper received "red letter" returns showing himself indebted for freight and commissions in excess of the proceeds from the sale of his fruit. Growers who sold their fruit outright at the local shipping points often fared but little better, since they found themselves at the mercy of buyers sufficiently organized to dictate prices.

Under the circumstances it was natural that citrus growers should look for some means of escape. Co-operation on a small

scale had been tried in a few places with more or less success. When it was proposed that all of the growers of citrus fruit unite and sell their products through a central agency there was general enthusiasm. But here we meet with certain uninviting traits of character that co-operation has struggled with to improve. Some growers who pledged their crops to the association yielded to the seductive offers of buyers who were unwilling to allow their trade to slip away from them without a struggle. In a few cases law-suits were necessary to bring a few pledgers to a realization of their obligations. But aside from these mercenary traits, which bear a strong family resemblance in all business, there were manifested unlovely qualities that sprang from ignorance and suspicion. Ignorant persons easily imagined that the matter of ascertaining marketing conditions, of establishing commercial relations with responsible buyers and of directing the sales of a society's output was something very simple, and that consequently their managers and other expert servants were being overpaid. Suspicious persons sometimes believed that their managers were promoting the interests of a selected few by showing partiality to them in grading their fruit, in selecting their market and the like. That such natures have so far been disciplined as to lead about seventy-five per cent of all the citrus fruit growers of California to work together successfully for more than fifteen years speaks well for the moral influence of co-operation.

To-day these growers are united into eighty local groups for picking and packing their fruit, while the central organization markets an annual product worth about \$15,000,000. The exchange keeps its agents in all of the principal marketing centers of this country and Canada, with one in London—there being about seventy-five altogether. Financially the exchange has been very successful. Besides being obliged to pay only a little more than half as much per box as formerly in getting their fruit on the market, the co-operators have been receiving the best possible prices because of their highly organized system of keeping constantly acquainted with the consumer's needs and distributing the supply accordingly.

What has been said regarding fruit growers' unions might be repeated with some modifications regarding many societies formed about such farm products as onions, potatoes, tobacco, tomatoes, celery and melons.

Among the causes of failure of many companies may be mentioned individualism, conservatism, jealousy, poor business management and a lack of knowledge of what other societies are doing. This last fault is being remedied where associations like the farmers' elevator companies are disposed to come together for further organization among themselves. Another cause of failure is the stock company form of organization in which there is but little restriction on share voting or on the number of shares owned. This is exemplified by some co-operative creameries. Dr. James Ford, of Harvard University, finds that only about twenty-five, or one-fifth of all the co-operative creameries of New England, are of the purely co-operative type. In the stock companies the large shareholders are tempted constantly to increase the dividend rate on capital at the expense of the other patrons. This may explain in part the difficulty of the co-operative creamery in New England to hold its own and may also be one of the weaknesses of the Western associations in their struggle with the "centralizers." Many societies also complain that legislation is not favorable—few states having suitable laws for purely co-operative societies.

Co-operation is also in need of wise leadership and organization. The Society of Equity and the Farmers' Educational and Co-operative Union of America are attempting to organize farmers on a national scale and both have done a great deal to awaken farmers to a need of collective effort. But in so far as they endeavor to fix minimum prices for such commodities as corn and cotton and to establish monopoly conditions they enter upon a questionable mission.

The chief significance of co-operation among our farmers is possibly not that of economic gain. While the economic motive has been dominant in the organization of these societies and has been fully justified by the generally satisfactory money returns, yet possibly more important has been the co-operative influence upon the farmer as a man and a citizen.

In this respect our co-operative societies generally have not attained the success reached by most of the European societies. Few of our associations can boast of the "co-operative character" so general in Denmark. Fewer would agree with some priests and clergymen in Germany that "the co-operatives" had done more for the morals of their communities than had the churches. Still fewer

possibly would agree with the president of the Co-operative Congress in 1910 that "the great function of co-operation is to create co-operators." And yet many of our societies would assent to Sir Horace Plunkett's claim that there is much in the co-operative movement to commend it to the social reformer.

A questionnaire embodying this sociological aspect of co-operation was recently sent out by the Massachusetts Agricultural College to several hundred typical co-operative societies. As far as the answers received have been analyzed they seem to confirm the importance of this aspect of the subject. The older societies in particular lay stress upon the value of the "co-operative spirit"—the fellowship and loyalty that cause their members to stand together in adversity as well as in prosperity. Some testify that co-operation gives business training, promotes scientific interest in the quality, grade or variety of farm products, and begets a desire to make known to one another the processes or "secrets" of successful farm operations. Others speak of its aid in community efforts connected with good roads, telephones, schools, churches, legislation, law enforcement, beautifying farm buildings, allaying race prejudice, keeping girls and boys on the farm and giving stability to the business of farming.

Such results usually are not marked in new societies or in old societies not truly co-operative in form or spirit. But the older societies of the purer types are certainly proving themselves to be excellent schools for the development of new conceptions of community consciousness, occupational solidarity and of larger citizenship. That these societies are destined to influence greatly the attitude of their members toward many rural institutions can scarcely be doubted. What Professor R. H. Hess says of thousands of co-operative irrigation societies regarding their larger political aspects applies with little exaggeration possibly to many other societies: "The development of a high order of intellectual and administrative ability, which is the inevitable outcome of a generation of co-operation in irrigation production, will doubtless react upon government institutions, and the gift of prophecy is not necessary to foresee radical changes in the political life of the West."